

**PROFILE:**  
Food  
Processing  
in Saskatchewan

**FEATURE:**  
Youth In Transition:  
Staying in School

**OPINION:**  
Economic Stimulation:  
Shovels Or Minds?

**CanadaWest**  
FOUNDATION

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A dynamic and prosperous West in a  
strong Canada.

**Our Mission**  
A leading source of strategic insight,  
conducting and communicating non-  
partisan economic and public policy  
research of importance to the four  
western provinces and all Canadians.

# CURRENTS Western Canada's Monthly Economic Bulletin

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## Monthly Economic Highlights

Canadian employment fell by 34,000 in December, the largest decline since the 1982 recession (though the population is much larger today than in 1982). A large chunk of the loss took place in the West. Employment dropped in Alberta (-15,800) and BC (-7,500)

but remained essentially unchanged in Manitoba and Saskatchewan. There were significant increases in unemployment rates across the West, most markedly in Alberta, where the rate jumped from 3.4% to 4.1% in December.

Retail sales in the West declined 0.3% in October as a 2.0% drop in BC brought this province's sales to their lowest level in more than two years. The three other provinces recorded gains, with Saskatchewan leading the way again in October (+1.5%).

Wholesale trade was down 0.6% in the west in October, with three out of four western provinces reporting lower sales. The biggest drop was in Manitoba (-4.1%) and was mainly in the "other products" sector, which includes agricultural fertilizers and supplies.

Manufacturing sales declined 0.5% nationally in October. Alberta sales fell 6.8% as a plant shutdown, combined with a drop in prices, led to a 21.2% decrease in the sales of petroleum and coal products.

New population estimates as of October 1, 2008 showed increases in all western provinces compared to July 1.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
<b>Labour Markets</b>						
Employment (000s)	2,303	2,019	520	609	17,111	December
% change	-0.3	-0.5	-0.1	-0.1	-0.2	
Unemployment rate (%)	5.3	4.1	4.2	4.3	6.6	December
Participation rate (%)	66.2	74.6	70.2	69.6	67.6	December
Average weekly earnings (\$)	777.98	888.73	765.75	727.73	801.24	October
% change	-0.6	-0.6	0.4	0.6	0.3	
<b>Inflation</b>						
Consumer Price Index (%) <sup>a</sup>	2.0	2.1	3.2	2.7	2.0	November
<b>Economic Activity</b>						
Housing starts (000s)**	24.3	21.0	5.6	7.0	177.3	December
% change	8.0	-2.3	-25.3	11.1	-0.4	
Retail trade (\$M)	4,679	5,191	1,234	1,270	35,868	October
% change	-2.0	0.6	1.5	0.7	-0.9	
Wholesale trade (\$M)	4,469	6,077	1,823	1,060	45,255	October
% change	-1.9	1.5	-2.0	-4.1	-1.8	
Manufacturing sales (\$M)	3,446	5,940	1,052	1,408	51,509	October
% change	0.4	-6.8	-1.2	-2.6	-0.5	

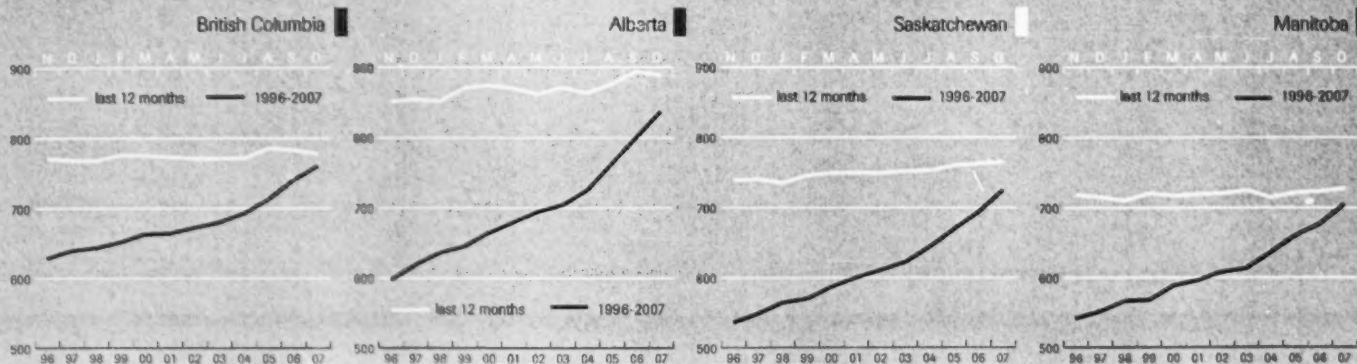
<sup>a</sup> 12-month change, unadjusted. <sup>\*\*</sup> Annual rate. Unless otherwise noted, data are seasonally adjusted and percent change is from previous period.  
Source: Statistics Canada, Canada Mortgage and Housing Corporation.

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## Average Weekly Earnings (\$)

Source: Statistics Canada



## YOUTH IN TRANSITION: Staying in School

### Did you know?

- More than 8.4 million Canadians made on-line purchases in 2007.
- Vancouver Island is the largest island off the west coast of North America.
- Saskatchewanians are the Canadians most likely to lower the temperature of their home for environmental purposes.
- Almost one-third of employed Canadians identify themselves as workaholics.
- Nearly half (49%) of off-reserve First Nations children under age 6 were in low-income families, compared with 18% for non-Aboriginal children of the same age group.
- Calgary is the most wireless city in Canada, with 87% of households having a cell phone in 2006.
- In 2007, over 3,000 oil wells were in operation in Manitoba.

Over the last few months our attention has been focused on political and economic developments and some newsworthy items did not get the coverage they deserved. This was the case last November when the release of a study on postsecondary education by Statistics Canada went largely unnoticed. The breakthrough paper was based on the Youth in Transition Survey, which followed a sample of more than 20,000 young Canadians from 2000 to 2006 as they pursued or quit their postsecondary education. The study was sophisticated enough to take into account whether the subjects quit school for good or went back to it later, and whether they graduated or not from various levels of postsecondary education. This methodology was

used with good reason because today's students tend to follow a much less linear path than earlier generations as they strive to complete their formal education.

From a provincial point of view, the headline finding was that attendance of postsecondary institutions varies from 71% (in Alberta) to 83% (Newfoundland and Labrador, Ontario). Figure 1 shows the results for all types of postsecondary education as well as for the specific case of university. University attendance in Quebec, Alberta and BC is particularly low. In Quebec and BC, this can be explained by the provinces' unique education system. As to Alberta, one would be

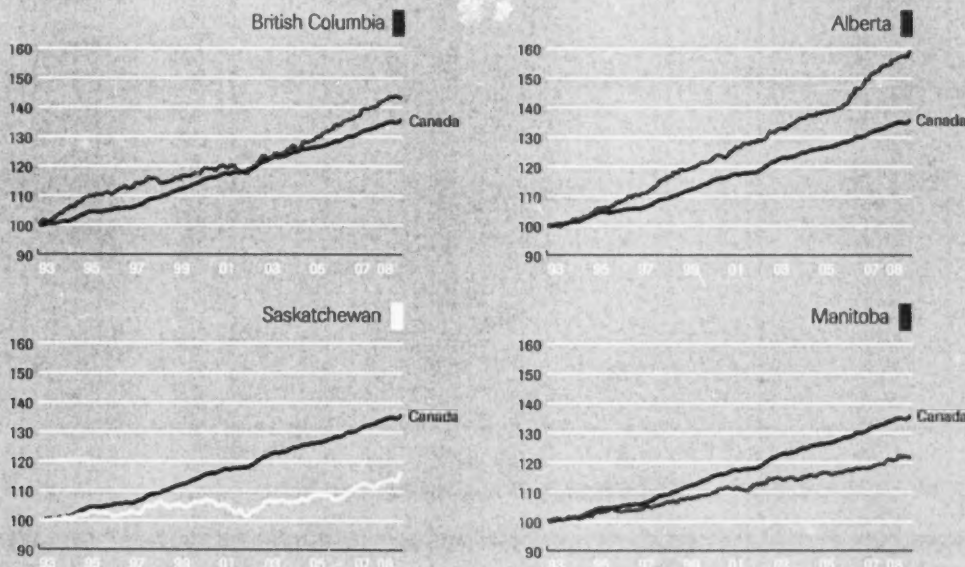
### BEHIND THE NUMBERS

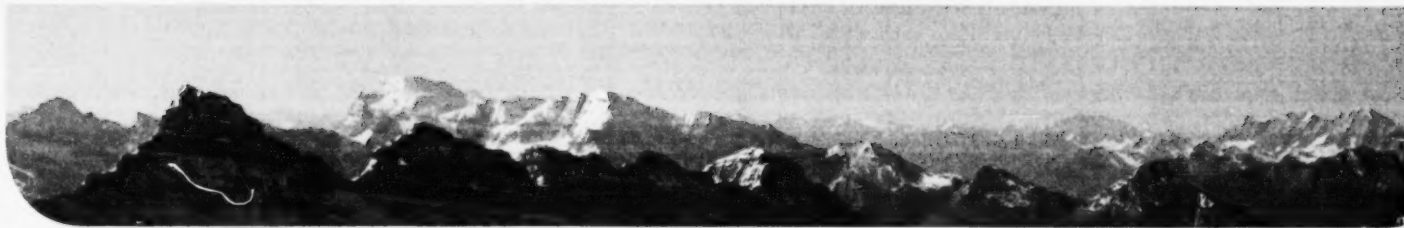
The recession is here—maybe. That was a nice expansion we had in terms of job creation. From September 1992 (the “trough” of the last recession) to October 2008 (the most recent peak), Canada created 4.5 million jobs, a growth of 36%.

During that period, Alberta created 0.8 million jobs, more than BC (+0.7 million jobs). In percentage terms, Alberta's employment surge added up to nearly 60% growth. However, BC still managed to create jobs faster than the national average over those 14 years (+43%), reducing its unemployment rate by nearly five percentage points. Manitoba (+22%) and Saskatchewan (+16%) were left far behind and well below the national average.

Employment (September 1992 = 100)

Source: Statistics Canada





tempted to conclude that exciting employment opportunities make higher education less appealing there.

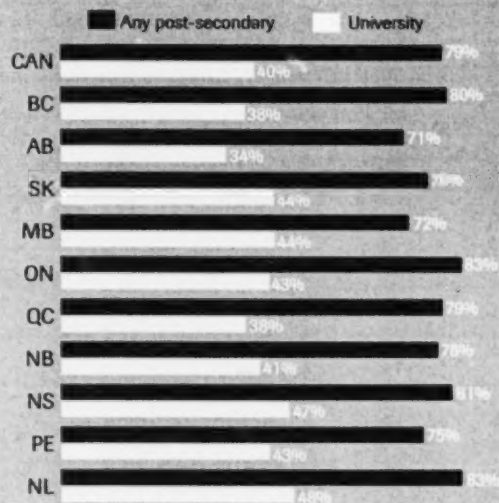
But is the availability of good jobs the only factor? This is less than certain. In addition to the findings mentioned above, the study goes one step further in its analysis by removing the impact of a number of variables which influence the decision to stay in school. This approach, called multivariate analysis, provides a more direct measure of the likelihood that someone will participate in or quit higher education regardless of their gender, age, high school history or ethnic background. Once all those external factors are removed (and using Ontario as a benchmark), Saskatchewan, Alberta and BC (along with Nova Scotia) have "significantly higher probabilities of young adults dropping out [of university]." Jobs may be a lure in Alberta, but two other western provinces with less job attraction over the study period also have a high drop-out rate at the university level. This means that jobs are not the only factor that lures students away from school; there are other traps out there.

More work remains to be done to find out what those traps are. With dropping-out from university being particularly prevalent in the West, this is an issue worth monitoring. It is well-recognized that higher education is one of the best ways to improve a society's productivity, and therefore its quality of life and prosperity. This axiom also applies at the individual level. In fact, a different study from Statistics Canada recently showed that among Aboriginal people living off-reserve (the

majority of whom reside in the West), 80% of people with a post-secondary diploma were employed compared to only 51% for those who had not finished high school. Diplomas pay off in the end, no matter how twisted the path that leads to them. □

#### Postsecondary Participation Rates, (Aged 24-26, as of December 2005)

Source: Statistics Canada,  
Youth in Transition Survey



## Industry Spotlight: Food Processing

With almost half of Canada's cultivated farmland, Saskatchewan has a strong agricultural background. From this base, a dynamic food processing sector has emerged. (Food processing is the transformation of raw ingredients into final food products for human or animal consumption). The main food products made in Saskatchewan include meats, baked goods, jams and preserves and organic specialty products. Today there are over 250 food-processing companies in the province. The industry, worth \$2 billion to the Saskatchewan economy, employs nearly 7,000 people and accounts for 22% of the province's manufacturing output. Saskatchewan's processed foods are exported around the globe, to markets in the US, Asia and the EU to Algeria and Bangladesh.

The food processing sector is supported by organizations like the Saskatchewan Food Industry Development Centre (better known as "The Food Centre"), POS Pilot Plant Corporation, Saskatchewan Food Processors Association, and the Agriculture Council of Saskatchewan, which provide facilities, services and promotion. Food processing companies in Saskatchewan include Lilydale Inc., Horizon Milling, Weston Bakeries Ltd, Maple Leaf Foods Inc and Centennial Foods.



Cabbage roll production at the Food Centre's federal facility.

Photo credit: Saskatchewan Food Industry Development Centre Inc.

**CanadaWest**  
FOUNDATION

**Canada West Foundation Head Office:**  
Suite 900, 1202 Centre Street SE  
Calgary, Alberta, Canada T2G 5A5  
ph: (403) 264-9535 fax: (403) 269-4776  
toll-free: 1-888-825-5293  
email: cwf@cwf.ca  
website: www.cwf.ca

**British Columbia Office:**  
Suite 810, 1050 W. Pender Street  
Vancouver, BC, V6E 3S7  
ph: (604) 646-4625  
email: kunin@cwf.ca

**Saskatchewan Office:**  
604 Braeside View  
Saskatoon SK S7V 1A6  
Phone: 306-373-8408  
email: vicq@cwf.ca

**Manitoba Office:**  
Suite 400, 161 Portage Avenue East  
Winnipeg, Manitoba, R3B 0Y4  
ph: (204) 947-3958  
email: carson@cwf.ca

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## Economic Stimulation: Shovels or Minds?

by Jacques Marcil, Senior Economist

In December, employment in the United States declined for the 12th consecutive month. The US National Bureau of Economic Research (NBER) was right when it assessed last month that a recession had hit the US. As Canada lives and dies in an open global economy, our exposure to the US market is now costing us. While a Canadian version of the US recession is justly anticipated, we haven't yet seen back-to-back quarterly declines in our real GDP, which is how we identify recessions in Canada (we don't have an equivalent to the NBER). In fact, some areas of the country were recently still facing very un-recession-like labour shortages. However, there is a consensus that Canada cannot stay inactive in anticipation of the expected economic decline, although not all agree on what to do.

The Canada West Foundation recently released *Taking Action on the Economy*, a report in which 25 economists make recommendations to the federal government on what to do about the slowdown. Many agreed that there isn't much room for interest rates to be reduced further, so it's now time for fiscal policy to come forward. Keynesianism remains a tongue twister but it is no longer a bad word among policy-makers: economic stimulus sponsored by governments (and deficits, its frequent counterparts), is back in fashion. In the US, incidentally, one vocal proponent of government intervention, Paul Krugman, is the most recent winner of the Nobel Prize for economics. While Krugman was selected mainly for his work on international trade theory, it is rumored that when he speaks, the incoming Obama administration listens.

Here in Canada, while most are also pressing the federal government for intervention, it is important to heed one of the main—and most simple—recommendations in *Taking Action*: "Don't Panic." This is because stimulus packages are not that simple. They have two purposes: a real one and a "fuzzy" one.

The real purpose of stimulus is to inject money into the economy with as much impact as possible.

A reduction in income or sales taxes is one such tool, although the savings it generates may not necessarily be re-circulated in the economy (i.e., spent) by families and businesses. They might decide to save the money in case things get even worse—more about this later. Another tool is government investment in capital projects. This has the advantages of putting us in better shape in the long run and of ensuring that the money gets spent at least once. The problem with investment is that big projects take a while to start. Two stimulus tools in *Taking Action* were particularly interesting: a boost in Employment Insurance benefits and social housing projects. They have the advantage of being relatively fast to trigger and of targeting citizens who are likely to spend most of the money instead of saving it.

The "fuzzy" purpose of stimulus packages is to restore confidence. Low consumer or business confidence is not necessarily a bad thing: it's really just ill-timed prudence. This prudence is driven by two motivations: the desire to keep safe in case things go worse, and the sagacity that drives purchasers to wait for prices to fall further. Confidence is a tricky thing, but it matters. One just has to look at recent political events on each side of the 49th parallel to see the proof of that. Also, from a purely economic point of view, the higher confidence is, the further the dollars spent by the governments will go as they get spent domestically by whoever benefits from them.

It will be captivating (and nerve-wracking) to see how well the Canadian stimulus package dovetails with the US one. While the US has an economy largely similar to ours, we shouldn't adopt all of their solutions because our problems are less acute—so far. It would be quite a feat if by properly stimulating the shovels and the minds we managed to get to win at both ends of the ice by emerging from the recession before the US, just as we apparently will slide into it after them. ■